



## Effective Reward Programs



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## Housekeeping



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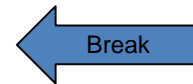
## Agenda

8:00 – 9:15

- Icebreaker

9:15 – 11:30

- Total Rewards
- Compensation / Bonus Programs
- Work/ Life
- Reward and Recognition



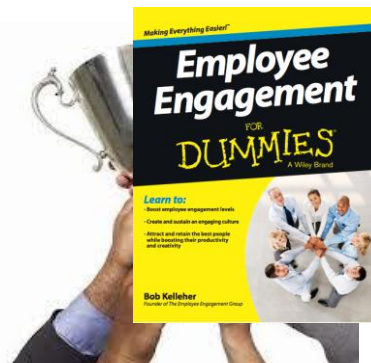
11:30 – 12:00

- Assignments for Session 9 and Pre-work for Session 10
- Time to work on your Engagement Action Plan

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## Icebreaker

- Team up with someone who you have never teamed up with before
- Describe an example when you were recognized professionally that had great impact with you, even today.



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# Total Rewards Program

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## Total Rewards

- **Compensation (including Bonuses, and Incentive Plans)**
- Benefits
- **Work- Life**
- **Recognition**
- Training and Development

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# Rewards vs. Recognition

## Difference between Reward and Recognition



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### Reward

- Significant
  - Year end or quarterly bonus
  - Promotion
- Includes some sort of monetary increase
- Usually recognizes long term





## Difference between Reward and Recognition



### Recognition

- Reserved to highlight an event, episode, and/or going above and beyond
- Often includes something of value (money, time, etc.)
- 'Thank you' is recognition but recognizes a job well done (not necessarily above and beyond)

## Compensation (including Bonuses)

## Case Study



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- Partner up in groups of 3
- Answer the below questions

1. Come up with a plan to divide both your salary pool and bonus pool. How do you base your decisions?
2. What additional decisions would you make as department manager

### Case Study #1

Katie Mullins is finishing her first six months as a new Department Manager.

6 months ago, Katie got promoted from another division to head up this department, consisting of a diverse team of 7 employees. Two of them, Frank and Donna, are exceptional employees. Frank has been with the firm for 15 years and has received top pay increases every year. Unfortunately, this has put his salary at a higher rate than his internal and external peer group. Frank also has a huge ego; quite aware that the organization thinks very highly of him. In fact, he has already mentioned to Katie that he is deserving of a promotion at least 2 times during her first 6 months. Donna, on the other hand, is relatively junior, but continues to amaze everyone with her performance and attitude. A couple of senior leaders have even remarked, "Donna is a keeper - we can't lose her!"

Aaron, Connor and Ashley are Katie's are all in the middle of the pack of performers - doing their jobs without a lot of maintenance. Aaron has recently joined Katie's team and she had to pay him higher than Connor and Ashley just to bring him on board, creating some equity issues as they all have similar experiences. Connor has greater upside than he is showing...possibly due to his work-life balance priorities as he is very involved in his kids sports. This means that Connor is never available to help out with overtime. If he just put in additional hours, he could be something special! Katie has pondered. Ashley on the other hand, always puts in extra hours, but the quality of her work is almost always subpar. But her attitude is so positive, people tend to put up with her mistakes.

Jacob has been with the company forever it seems, and though his performance has been marginal for quite some time, his long tenure has resulted in him making a number of friends in corporate. "What am I going to do with this 'golden cow'?" Wonder if I can transfer him somewhere

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## Compensation



- **Base Pay**
- Variable Pay(ie commissions, tips)
- **Short term incentives (bonus plans)**
- Long term incentives (stock,

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# Compensation Golden Rule



Fairness rules!  
it's about fair pay,  
not high pay





## Today's Business Environment

- Pay increases have been small
- Promotions have been few (slow growth and low turnover is perfect storm for status quo)
- Hiring is just now picking up (*we've been doing more with less*)
- Bonuses have returned but smaller
- Layoffs have slowed
- Survivor anxiety/burnout





## Some Compensation Principles

- Compensation communicates
- Compensation is emotional
- Compensation should drive the behavior you're looking to drive
- Compensation should reward achievement



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## Compensation 10 Commandments



Complete the evaluation assessment

Compensation 10 Commandments

How do you stack up against the 10 Commandments of Compensations?

Commandment	We don't do this well ← → We are exceptional			
1. Frequent and transparent communication				
2. Pay for performance				
3. Balance of qualitative and quantitative metrics				
4. Avoid the 'peanut butter' approach				
5. Avoid greasing the squeaky wheel				
6. Do not over pay base compensation				
7. Hot markets and sectors are rewarded with variable pay				
8. Differentiate between rewards and recognition				
9. Emphasize achievement				
10. Fairness				

Look at what you don't do well and identify actions you can take to improve.



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## Compensation 10 Commandments

1. Communication must be frequent and transparent
2. You must PAY for performance
3. You need a balance of qualitative and quantitative metrics
4. The peanut butter approach must be avoided
5. Avoid greasing the squeaky wheel
6. Do not over pay base compensation
7. Hot markets and sectors should be rewarded with variable pay whenever possible
8. Do not confuse Rewards and Recognition
9. Always emphasize achievement
10. Must always be fair



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# Base Pay

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## Base Pay

- Year end 'merit' pool (change it to salary adjustment program)
- Have been averaging 2 - 4% for many years
- Very difficult to 'pay for performance' with merit pools being so small the past 20 years
- Promotional budgets – can be .5 - 2%



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## Cash Bonuses

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## Your Pre-work...

- What percentage of your population is eligible for bonuses?
- What percentage of the bonus is based on qualitative results?
  - What are examples of your qualitative measurements?
- What percentage of the bonus is based on quantitative results?
  - What are examples of your quantitative measurements?

## Bonus Programs



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- **Profit Sharing**
- **Gain Sharing bonus programs** are most common in manufacturing and are designed to reward productivity and improved product quality
- **Spot Bonus Awards** reward employees on the spot for achievements that deserve special recognition. Spot bonus awards are typically \$50 and up
- **Sign-On Bonuses** are commonly used for new employees
- **Mission, Task or Milestone Bonus** are given as a reward for special achievements and are usually offered sparingly.
- **Referral Bonuses** are paid to employees who refer friends



## Bonus Programs *(continued)*

- **Retention Bonuses** are given to employees in circumstances, such as a merger or acquisition, to provide continuity through a certain time period when there is potential uncertainty about an employee's continued employment at the company.
- **Holiday Bonuses**
- **Sales Commissions**



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## Incentive Plans

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*"The more GENEROUS and FORMULATIC you make your incentive plans, the greater the probability your employees will CHEAT!!"*

Dr. Dean Spitzer,  
author of  
"Transforming Performance Measurement"

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# Incentive Plans

- Eligibility can vary – usually mid to senior level
- Can be designed as formulaic or discretionary
- Best plans incentivize high performance
- Best plans differentiate high and low performance
- Best plans also have both quantitative and qualitative metrics
- Best senior leadership plans link metrics with company wide results (to reduce silo behavior)
- Best mid level plans tie payout window (timing) as close to behavior as possible



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## Quantitative Measurements *(THE WHAT)*

### **Health & Safety**

OSHA recordable & lost time case rates

### **Cost Management**

Working Capital Management  
Non-Labor Cost Management

### **Employee Engagement (for line Managers)**

Turnover of Staff  
EDP % Completion (Managers)  
Employee Engagement Survey Results  
% of Recognition Budget spent  
% of Learning (% of payroll)

### **Client Satisfaction and Quality**

Net promoter score  
% Repeat business  
Overruns and write-offs



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## Quantitative Measurements *(THE WHAT)*

### *Profitability*

Budget Management  
Individual Profit Contribution  
Utilization  
Days Sales Outstanding

### *Revenue Growth*

Opportunity Backlog  
Proposal Backlog  
Bookings  
Account Management  
Lead Generation  
Gross Sales  
Net Sales



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## Qualitative Measurements *(THE HOW)*

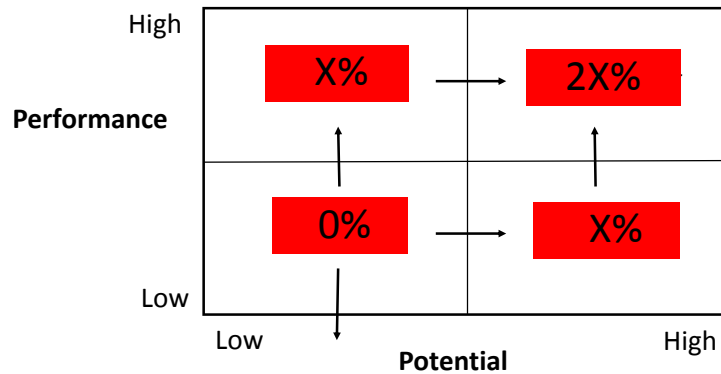
*Teamwork*  
*Health & Safety Awareness*  
*Self Starter*  
*Solution Driven*  
*Support of Company's Strategic Initiatives*  
*Attitude*  
*Efficiency*  
*Cost Considerations*  
*Work Life Balance*  
*Quality*  
*Client Service*  
*Innovative*



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## Bonus / Pay Matrix

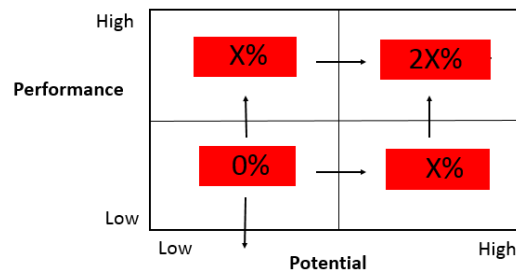


## Exercise: Bonus / Pay Matrix



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- Think about 10 people in your organization.
- If you were going to assign bonuses to those 10 people, in what quadrant would you put them?



## The Law of Unintended Consequences



Long Term Incentives Programs

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**Work / Life**

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## Work Life

- Flexible Work Hours
- Telecommuting
- Emergence of unlimited vacation time
- Job sharing
- Sabbaticals
- Part time benefit packages
- Community Involvement



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## Recognition Programs

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## Difference between Reward and Recognition



### Recognition

- Reserved to highlight an event, episode, and/or going above and beyond
- Often includes something of value (money, time, etc.)
- 'Thank you' is recognition but recognizes a job well done (not necessarily above and beyond)



## Your Pre-work...

- What are some examples of ongoing recognition programs you have in your organization?
  - What problem are you attempting to solve?
  - What specifically are you recognizing?
- What other types of recognition programs have you seen?



## Why Have Recognition Programs?

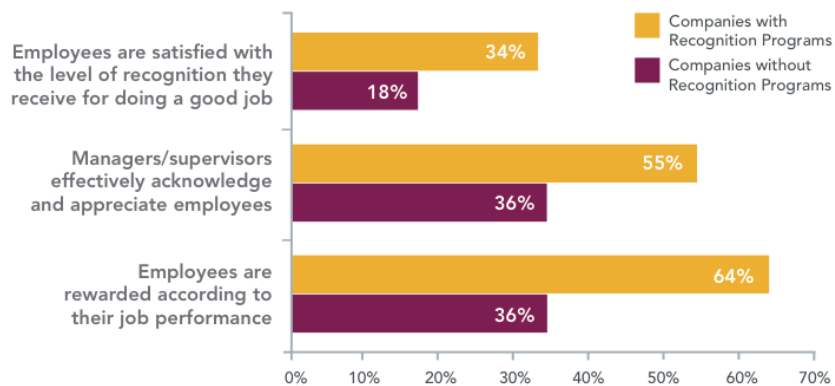
- When companies were asked:
  - Are you satisfied with the level of recognition, 34% of companies with formal recognition programs answered Yes compared to 18% without a formal program
  - If managers and supervisors effectively acknowledge and appreciate employees, 55% of companies with formal recognition programs answered Yes (compared to 36% without programs)
  - Whether employees were rewarded according to their job performance, 64% of companies with formal recognition programs said Yes (compared to 36% without programs)

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## Recognition challenges

(SHRM G2012 Global Survey)

Companies with recognition programs vs. without recognition programs  
(Answering "yes")



## Recognition via Gamification

- Definition:  
*Gamification is the use of game elements in any context that is non-game related, usually by providing rewards and by fostering user interaction with the learning material.*
  - The form of rewards can vary, but the more common ones include:
    - Points
    - Badges
    - Levels



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**TARGET**



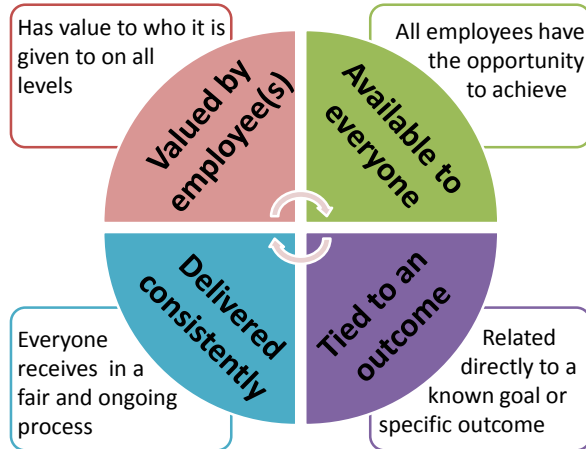
*By 2014, 70% of global businesses will be using some form of gamification*

Gartner Research

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## Evaluating your Recognition Programs



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## Evaluate your Rewards and Recognition

Using the reward and recognition form, evaluate two of your programs to be sure it is:

- Available to everyone
- Tied to a specific outcome
- Delivered consistently
- Valued by the employees

Reward / Recognition:	
<ul style="list-style-type: none"> <li>• How do they value the employee(s)?</li> <li>• Are there employees that wouldn't value it?</li> <li>• Are there consequences for receiving this recognition/reward?</li> <li>• In what circumstances would it be awarded?</li> </ul>	<ul style="list-style-type: none"> <li>• Are there employees who aren't eligible?</li> <li>• Are there alternative reward/recognition options for support staff?</li> </ul>
<ul style="list-style-type: none"> <li>• How do you monitor that the reward is delivered consistently and timely?</li> <li>• Are there audits in place? Such as customer?</li> <li>• Why aren't it fully awarded?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the specific goal or outcome this object?</li> <li>• How do the outcome measure?</li> <li>• Are the outcomes in your business and strategic capability?</li> </ul>



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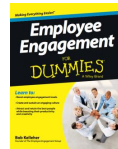


## Exercise – What is the best example of recognition?

In your assigned groups, come up with a list of recognition program examples that you have seen.

Then, vote and present back one recognition example that is the best of your list

Significant prize for Best recognition example



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## Recognition Ideas and Best Practices

- Schedule reminders
- Have 'valuable' items on hand to hand out
  - Hats, shirts
  - Movie tickets
  - Gift cards
- Establish a formal award given to an employee as a culmination of the year (but don't overdo)
- Let other recognize – it's not just you that can recognize
- Write a note!



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# Assignment

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## Assignment

- Rate your organization on how it views work life balance options
  - What could the organization do better?
  - What's preventing it from being more focused on work life balance issues?
- Conduct a Recognition Evaluation on two additional recognition programs – how could the programs be improved?
- Re-evaluate your incentive plans to ensure that both quantitative and qualitative criteria are included

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# Pre-work for Session 10

## *Finding and Selecting Engaged Employees*

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### **Pre-work for Session 10**

- Flow chart your recruiting and hiring process
- Outline your on-boarding process
- Bring a job description and resume submitted for a position in your organization
- Identify how you determine in an interview if the person is a cultural fit for your organization

**Thank you**

*See you on  
April 18*

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